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LAW OFFICES OF
LOUIS E. GITOMER

LOUIS E. GITOMER
LOU_GITOMER@VERIZON.NET

March 10, 2008

THE ADAMS BUILDING, SUITE 301
600 BALTIMORE AVENUE
TOWSON MARYLAND 21204-4022
(202) 466 6532
FAX (410) 132-0885

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423

RE: Docket No. 42104, *Entergy Arkansas, Inc. and Entergy Services, Inc. v
Union Pacific Railroad Company and Missouri & Northern Arkansas
Railroad Company, Inc.*
Finance Docket No. 32187, *Missouri & Northern Arkansas Railroad
Company, Inc. - Lease, Acquisition and Operation Exemption-Missouri
Pacific Railroad Company and Burlington Northern Railroad Company*

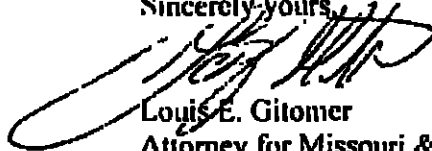
221789

Dear Acting Secretary Quinlan:

Enclosed for filing is the Answer of Missouri & Northern Arkansas Railroad Company, Inc. to Verified Complaint or in the Alternative Petition to Revoke in Part of Entergy Arkansas, Inc. and Entergy Services, Inc.

Thank you for your assistance. If you have any questions please call or email me

Sincerely yours,



Louis E. Gitomer
Attorney for Missouri & Northern Arkansas
Railroad Company, Inc.

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. 42104

ENTERGY ARKANSAS, INC AND ENTERGY SERVICES, INC.
v.
UNION PACIFIC RAILROAD COMPANY AND MISSOURI & NORTHERN ARKANSAS
RAILROAD COMPANY, INC.

Finance Docket No. 32187

MISSOURI & NORTHERN ARKANSAS RAILROAD COMPANY, INC.
LEASE, ACQUISITION AND OPERATION EXEMPTION-
MISSOURI PACIFIC RAILROAD COMPANY AND
BURLINGTON NORTHERN RAILROAD COMPANY

ANSWER OF MISSOURI & NORTHERN ARKANSAS RAILROAD COMPANY, INC.
TO VERIFIED COMPLAINT OR IN THE ALTERNATIVE PETITION TO REVOKE IN
PART OF ENTERGY ARKANSAS, INC AND ENTERGY SERVICES, INC

Scott G. Williams Esq
Senior Vice President & General Counsel
RailAmerica, Inc
5300 Broken Sound Boulevard N W
Second Floor
Boca Raton, FL 33487
(561) 226-1757

Louis E. Gitomer, Esq.
Law Offices of Louis E. Gitomer
600 Baltimore Avenue
Suite 301
Towson, MD 21204
(202) 466-6532

Attorneys for MISSOURI & NORTHERN
ARKANSAS RAILROAD COMPANY, INC

Dated. March 10, 2008

BEFORE THE
SURFACE TRANSPORTATION BOARD

Docket No. 42104

ENTERGY ARKANSAS, INC AND ENTERGY SERVICES, INC
v
UNION PACIFIC RAILROAD COMPANY AND MISSOURI & NORTHERN ARKANSAS
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ANSWER OF MISSOURI & NORTHERN ARKANSAS RAILROAD COMPANY, INC.
TO VERIFIED COMPLAINT OR IN THE ALTERNATIVE PETITION TO REVOKE IN
PART OF ENTERGY ARKANSAS, INC. AND ENTERGY SERVICES, INC.

Pursuant to 49 C.F.R. §§ 1111.4 and 1121, Missouri & Northern Arkansas Railroad Company, Inc. ("MNA") answers the Verified Complaint or in the Alternative Petition to Revoke in Part (the "Complaint") filed on February 12, 2008 by Entergy Arkansas, Inc. ("EAI") and Entergy Services, Inc. ("ESI"), jointly referred to as Entergy. The Union Pacific Railroad Company ("UP") is named as a co-defendant in the Complaint.

MNA denies all averments made by Entergy that MNA has violated 49 U.S.C. §§ 10702, 10704 and related sections and Surface Transportation Board (the "Board") regulations regarding MNA's lease and operation of the rail line described below.

MNA began operating in 1992 and is located in the States of Missouri, Kansas and Arkansas.

MNA owns the rail lines located between: (1) milepost 415.7, at Bergman, AR, and milepost 312.2, at Guion, AR, (2) milepost 334.39, at Iron Gate Street in Joplin, MO, and milepost 330.2, end of track near Tamko, including the Tamko Lead, the West Joplin Industrial Trackage, all tracks formerly owned by BNSF in the KCS rail yard in Joplin and BNSF's Joplin Yard, and (3) milepost 309.9 and milepost 315.3 in Carthage, MO (the "Owned Lines").

Pursuant to a Lease Agreement dated as of December 11, 1992 by and between Missouri Pacific Railroad Company ("MP") and MNA (the "Lease"), MNA leases from UP the rail lines between: (1) milepost 643.3, at Pleasant Hill, and milepost 527.9, at Carthage, (2) milepost 316.9, at Nevada, and milepost 265.2, end of track at Clinton, MO, (3) milepost 317.2, at Carthage Sub Jct., and milepost 337.4, at Ft. Scott, KS, (4) milepost 528.2, at Carthage, MO, and milepost 545.7, at Joplin, MO, (5) milepost 527.9, at Carthage, MO, and milepost 415.7, at Bergman, AR, (6) milepost 381.5, at Cotter and milepost 258.7, at Diaz Jct., AR, and (7) milepost 506.5, at Springfield, MO, and milepost 511.4, at Wallis, MO (the "Leased Lines")

MNA has trackage rights over the UP rail lines located between: (1) Neff Yard at Kansas City, and milepost 643.3, at Pleasant Hill, MO; and (2) milepost 258.7, at Diaz Jct., and milepost 261.0, at Newport, Arkansas (the "Trackage Rights Lines").

The Owned Lines, Leased Lines, and the Trackage Rights Lines will jointly be referred to as the "Line."

The BNSF Railway Company ("BNSF") provides haulage service for the MNA between Aurora and Springfield, MO. The Branson Scenic Railroad, Inc., and the White River Scenic Railroad operate passenger excursion trains over sections of the MNA.

MNA interchanges with UP at Kansas City, MO, and Newport, AR, BNSF at Lamar, Aurora, and Springfield, MO, and KCS at Joplin, MO

MNA operates the Owned Lines, the Leased Lines, and the Trackage Rights Lines as a unified system. The Owned Lines are about 108 miles of railroad, the Leased Lines are about 380 miles of railroad, and the Trackage Rights Lines are about 70 miles. If MNA's right to lease the 380 miles and operate over 30 miles of trackage rights from UP were terminated for any purpose, MNA would cease being a viable railroad. However, as long as MNA complies with the provisions of the Lease, MNA should not be deprived of its franchise. Nor should MNA be deprived of its franchise as the result of the Complaint as long as MNA continues to provide service and meet its common carrier obligation. If the Lease were terminated, the three segments owned by MNA would become disconnected islands and MNA would lose the majority of its traffic. Loss of the lease and trackage rights franchise from the UP would most likely have a devastating financial impact on MNA and require MNA to review all options as to the future of its remaining lines. Under the Lease, MNA may shift up to five percent of the traffic that it interchanges with UP to interchange with another carrier, without incurring an increase in payments to UP. Hence, under the Lease, there is additional competition for up to five percent of the traffic interchanged between UP and MNA. Were the Lease terminated, this competitive option would end.

MNA would lose the substantial capital expenditures it has made in the Line if the Lease were terminated. Moreover, there would be a substantial disruption of service to shippers that rely upon MNA. MNA would not have the size system or volume of work necessary to retain its work force of 126. Pursuant to the Board's rules, MNA would be required to seek discontinuance authority in order to terminate its operations under the Lease, at a minimum MNA could incur the costs of labor protection resulting from discontinuance of service over the Leased Lines.

MNA has operated for over 15 years and has provided a valuable service to its customers as demonstrated by its handling of 114,241 carloads in 2007. MNA contends that a regulatory action that deprived it of its current franchise would violate numerous provisions of the rail transportation policy of 49 U.S.C. §10101.

Entergy has not asked MNA to quote a joint rate with BNSF for service between the Powder River Basin (the "PRB") and Entergy's facility in Independence, AR as required by 49 C.F.R. §1300.3. Even if the Complaint could be deemed a request for a rate, Entergy has not given MNA sufficient information to quote a rate. Were Entergy to ask MNA to quote a rate, MNA would require very specific information about the service requested by Entergy so that MNA could properly price the service, regardless of the terms of the Lease.

To the extent that MNA does not specifically admit an averment made in the complaint, that averment is denied.

1 MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 1 of the Complaint. Paragraph 1 relates to information within the specific knowledge of Entergy.

2. MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 2 of the Complaint. Paragraph 2 relates to information within the specific knowledge of Entergy.

3. MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 3 of the Complaint. Paragraph 3 relates to information within the specific knowledge of Entergy.

4. MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 4 of the Complaint. Paragraph 4 relates to information within the specific knowledge of UP.

5. MNA admits the averments in Paragraph 5 of the Complaint.

6. MNA is without sufficient information to admit or deny the averments made by Entergy in the first sentence of Paragraph 6 and the first phrase of the second sentence of the Complaint. Paragraph 6 relates to information within the specific knowledge of BNSF. With respect to the remainder of the second sentence of Paragraph 6, MNA denies that BNSF or its predecessor "was a party to the notice of exemption at issue in Finance Docket No. 32187 insofar as that notice pertained to trackage rights over two Burlington Northern lines in the State of Missouri." MNA was the only party to the notice of exemption that was filed with the Interstate Commerce Commission pursuant to 49 C.F.R. §1150.32(a).

7. MNA denies the averment in Paragraph 7 of the Complaint that it acquired 492.27 from UP. MNA avers that it acquired by lease and purchase 491.27 miles.

8. MNA admits the averments in Paragraph 8 of the Complaint.

9. MNA admits the averments in Paragraph 9 of the Complaint.

10. MNA admits the averments in Paragraph 10 of the Complaint.

11. MNA admits that in Paragraph 11, Entergy has accurately quoted Sections 4.01 and 4.03 of the Lease.

12. MNA admits the averments in Paragraph 12 of the Complaint, except for the rounding of the escalated rental.

13. MNA denies the averments in Paragraph 13 of the Complaint.

14. MNA admits that in Paragraph 14, Entergy has accurately quoted Sections 3.01 and 3.04 of the Lease. MNA denies the characterization of Sections 3.01 and 3.04 of the Lease.

15. MNA admits that the trackage rights granted in Section 5.05 of the Lease are restricted to interchange with UP. MNA denies all other averments in Paragraph 15 of the Complaint.

16. MNA admits that in Paragraph 16, Entergy has accurately quoted Section 15.01(f) of the Lease. MNA denies the characterization of Section 15.01(f) of the Lease by Entergy. As expressed above, MNA contends that the Lease should not be terminated as long as MNA continues to comply with the Lease and fulfills its common carrier obligation. The results of this regulatory proceeding are insufficient justification for terminating MNA's franchise over the Leased Lines and the Trackage Rights Lines. Termination of the Lease would create island operations by the MNA, at a minimum resulting in the reduced viability of the MNA. MNA would lose the value of the capital expenditures it made in the Line if the Lease were terminated. If the Lease were terminated, shippers could see service disruptions and reduction of competitive options. In addition, termination could result in harm to MNA's employees.

17 MNA is without sufficient information to admit or deny the averments made by Entergy in the first two and the last sentences of Paragraph 17 of the Complaint, which relate to information within the specific knowledge of Entergy. MNA is also without sufficient information to admit or deny the averments made by Entergy in the third and fourth sentences of Paragraph 17 of the Complaint

18 MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 18 of the Complaint, which relate to information within the specific knowledge of Entergy.

19 MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 19 of the Complaint, which relate to information within the specific knowledge of Entergy.

20 MNA admits that in Paragraph 20, Entergy has accurately described the movement of traffic from the PRB and the return of empty cars. MNA denies the characterization of the movement as being "imposed by the paper barriers."

21 MNA denies the averments in Paragraph 21 of the Complaint. MNA can and will interchange traffic with BNSF at Aurora or Springfield, MO as long as Entergy is willing to pay a rate that will provide MNA a return equal to the cost of capital on all of its costs, including rent. MNA denies Entergy's averment that "either of these routes may require some upgrading." These routes will require substantial upgrading to handle loaded unit coal trains. The interchanges with BNSF would also require substantial upgrading. MNA cannot respond to this averment without knowing the level of service that Entergy would seek. MNA would include the cost of upgrading the route as part of the cost which Entergy's rates must cover.

22 MNA admits that a physical interchange with BNSF could be made available at Ft. Scott, KS. However, in order to interchange with BNSF at Ft. Scott, MNA would have to replace interchange track that had previously been removed. MNA denies that the interchange track could be replaced "without significant difficulties," because of the need to reconstruct the interchange tracks

23. MNA denies that in Paragraph 23 of the Complaint Entergy has accurately characterized the Board's decision and prefers to let the Board explain the meaning of its decisions.

24. MNA denies that in Paragraph 24 of the Complaint Entergy has accurately characterized the Board's decision and prefers to let the Board explain the meaning of its decisions

25 MNA denies the averments made by Entergy in Paragraph 25 of the Complaint.

26 MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 26 of the Complaint, which relate to information within the specific knowledge of Entergy or UP.

27 MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 27 of the Complaint, which relate to information within the specific knowledge of Entergy. MNA is without sufficient information to determine the quality of service provided by UP during the times specified by Entergy.

28 MNA hereby incorporates its answers to Paragraphs 1-27 as if repeated in their entirety.

29. MNA admits that Section IV of the Lease "establishes an annual rent payment system" MNA can and will interchange traffic with BNSF as long as Entergy is willing to pay a rate that will provide MNA a return equal to the cost of capital on all of its costs, including rent.

30. MNA admits that Section IV of the Lease continues for the life of the Lease, but denies the remainder of the averment in Paragraph 30 of the Complaint.

31. MNA denies the averments made by Entergy in Paragraph 31 of the Complaint and is without sufficient information to admit or deny the averments made in Paragraph 31(i) or 31(ii).

32. MNA is without sufficient information to admit or deny the averments made by Entergy in Paragraph 32 of the Complaint.

33. MNA denies the averments made by Entergy in the first sentence of Paragraph 33 of the Complaint and is without sufficient information to admit or deny the averments made by Entergy in the second and third sentences of Paragraph 33 of the Complaint.

34. Entergy states a legal conclusion in Paragraph 34 of the Complaint, to which no response is required.

35. MNA hereby incorporates its answers to Paragraphs 1-34 as if repeated in their entirety.

36. MNA denies the averments made by Entergy in Paragraph 36 of the Complaint.

37. MNA denies the averments made by Entergy in Paragraph 37 of the Complaint.

38. MNA denies the averments made by Entergy in Paragraph 38 of the Complaint.

39. MNA denies the averments made by Entergy in Paragraph 39 of the Complaint.

40. MNA denies the averments made by Entergy in Paragraph 40 of the Complaint.

41. MNA denies the averments made by Entergy in Paragraph 41 of the Complaint

42 MNA denies the averments made by Entergy in Paragraph 42 of the Complaint. As expressed above, MNA contends that the Lease should not be terminated as long as MNA continues to comply with the Lease and fulfills its common carrier obligation. The results of this regulatory proceeding are insufficient justification for terminating MNA's franchise over the Leased Lines and the Trackage Rights Lines. Termination of the Lease would create island operations by the MNA, at a minimum resulting in the reduced viability of the MNA. MNA would lose the value of the capital expenditures it made in the Line if the Lease were terminated. If the Lease were terminated, shippers could see service disruptions and reduction of competitive options. In addition, termination could result in harm to MNA's employees

43. Entergy states a legal conclusion in Paragraph 43 of the Complaint, to which no response is required.

44. MNA hereby incorporates its answers to Paragraphs 1-27 as if repeated in their entirety.

45. Entergy states a legal conclusion in Paragraph 45 of the Complaint, to which no response is required

46. MNA admits that Entergy has accurately quoted portions of 49 U.S.C. §10101 in Paragraph 46 of the Complaint

47. MNA denies the averments made by Entergy in Paragraph 47 of the Complaint

48 MNA denies the averments made by Entergy in Paragraph 48 of the Complaint. Pursuant to the Board's rules at 49 C.F.R. §1121.3(c), "A party seeking revocation of an exemption or a notice of exemption shall provide all of its supporting information at the time it

files its petition.” Entergy has not met the burden of proof under 49 U.S.C. §10502(d) or the requirements of 49 C.F.R. §1121.3(c). Therefore, MNA respectfully requests that the Board dismiss the Petition to Revoke in Part.

49. MNA hereby incorporates its answers to Paragraphs 1-27 as if repeated in their entirety

50. Entergy states a legal conclusion in Paragraph 50 of the Complaint, to which no response is required. MNA denies the averment by Entergy that the Board may approve pooling under 49 U.S.C. §11323. MNA denies that it has entered into a pooling arrangement with UP.

51. Entergy states a legal conclusion in Paragraph 51 of the Complaint, to which no response is required.

52. Entergy states a legal conclusion in Paragraph 52 of the Complaint, to which no response is required.

53. MNA denies the averments made by Entergy in Paragraph 53 of the Complaint. MNA did not enter a pooling agreement with UP, but a lease of railroad property. MNA and UP do not compete for traffic on the Line. See *Canadian National, et al –Control–Illinois Central, et al*, 4 S.T.B. 122, 151-152 (1999).

54. MNA admits that it has not sought authority from the Interstate Commerce Commission (“ICC”) to enter a pooling arrangement with UP. MNA did comply with the appropriate ICC regulations in entering the Lease with UP and the ICC held that the transaction was governed by 49 U.S.C. §10901. *Missouri & Northern Arkansas Railroad Company, Inc – Lease, Acquisition and Operation Exemption Missouri Pacific Railroad Company and*

Burlington Northern Railroad Company, ICC Finance Docket No. 32187 (ICC served May 4, 1993), at 2.

55 Entergy states a legal conclusion in Paragraph 55 of the Complaint, to which no response is required

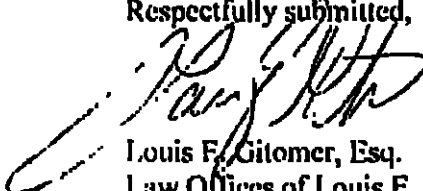
56. MNA denies the averments made by Entergy in Paragraph 56 of the Complaint

PRAYER

For the foregoing reasons, MNA requests the Board to (1) conclude that MNA has not violated any provision of 49 U S C. Subtitle IV with respect to the Lease; (2) dismiss the complaint, (3) discontinue this proceeding, (4) prohibit the termination of the Lease as a result of this proceeding, and (5) award MNA such other relief to which it is entitled.

Respectfully submitted,

Scott G. Williams Esq.
Senior Vice President & General Counsel
RailAmerica, Inc.
5300 Broken Sound Boulevard N W
Second Floor
Boca Raton, FL 33487
(561) 226-1757

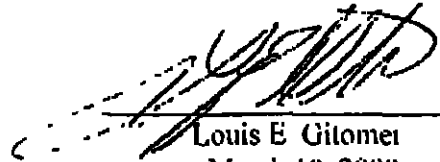

Louis E. Gitomer, Esq.
Law Offices of Louis E. Gitomer
600 Baltimore Avenue
Suite 301
Towson, MD 21204
(202) 466-6532

Attorneys for: MISSOURI & NORTHERN
ARKANSAS RAILROAD COMPANY, INC.

Dated: March 10, 2008

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing document to be served upon counsel for
Entergy Arkansas, Inc . Entergy Services, Inc., and Union Pacific Railroad Company
electronically and by first class mail postage prepaid



Louis E. Gitomer
March 10, 2008